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January 13, 2000

To The Honorable Christine Todd Whitman, Governor, State Treasurer Roland Machold, Chairman and Members of the Board of Commissioners of the New Jersey Turnpike Authority:

I am pleased to enclose for your review the Report on the Results of the Public Hearing Process and Public Comment Period pertaining to the New Jersey Turnpike Authority's Proposed Financing Plan.

The Report sets forth a brief five-year overview of the initiatives undertaken by the Authority in order to demonstrate responsible financial management. The Financing Plan under consideration is the final step in the Turnpike Authority's blueprint for fully restoring the agency's financial stability for the next decade.

Also presented is the process used to establish the public hearings and to advise the public of its opportunity to express its opinions both at the hearings and throughout the public comment period. A comprehensive review of the issues raised by the public and responses to these issues are provided.

Finally, a recommendation is provided which takes into consideration all of the information gathered throughout the process.

I am available to address any questions you may have after your review of the Report.

Very truly yours,

Edward Gross
Executive Director

II. BACKGROUND

Beginning with its decision to reject a proposed 50% toll increase in early 1995, the New Jersey Turnpike Authority Board of Commissioners (“Board”) set the course for the financial future of this agency. Its action was fully consistent with Governor Whitman’s directive that all financial alternatives be examined, and implemented when appropriate, before considering a toll adjustment. The Board then tasked the Executive Director to develop the financial strategy that would ultimately restore the Turnpike Authority’s financial stability.

In response to this directive, the Executive Director presented a three-year Plan of Finance (“Plan”) which the Turnpike Authority adopted in December 1995. This Plan called for significant reductions in future operating budgets, accessing debt reserve funds through the substitution of a surety policy, and transfer of capital surplus funds to operations by returning funding responsibility for the Hightstown By-Pass project to the New Jersey Department of Transportation. The aggregate result of the elements of the Plan eliminated the need for a 50% toll increase and projected toll stabilization for the three-year period.

OPERATIONS (1996 – 98)

During 1996-98, the Authority substantially out-performed the Plan by both increasing revenues and reducing expenses. Operating expenses were reduced by more than \$35M over this period without diminishing the high level of service expected by the Authority’s customers when using one of the premier limited access facilities in the world. Revenue growth, averaging 3.5%

annually, far exceeded projections. Commercial traffic increased annually by about 1 million vehicles. The updated Plan is attached as Exhibit I.

Important initiatives the Turnpike Authority implemented since 1994 that contributed to the Plan's success include:

- A reduction in headcount of more than 380 full-time positions when compared to 1993 authorized headcount of 2005. Of the 1618 full-time positions currently authorized, only 1572 are filled.
- Agreement reached on a 1999 successor Collective Bargaining Agreement with the Turnpike Authority's major union, Local 194, I.F.P.T.E. In 1995, negotiations resulted in significant cost containment by changing the delivery of health benefits, and adopting a 2-year wage freeze. Most recent negotiations continued this trend of cost control as well as authorizing the use of temporary toll collectors upon the vacancy of a full-time toll collector position.
- Successfully implemented a performance based merit system for all non-aligned and management employees which ties all salary increases to performance.
- Aggregate reduction in overtime of 30% since 1994.
- Agreement reached with Host Marriott Services Corporation to renovate 11 service areas along the New Jersey Turnpike with Host Marriott Services Corporation contributing more than 60% of the project's \$41 million cost.
- Initiatives to promote a more attractive facility for commercial traffic. Examples are:
 1. Expanded parking facilities with longer and wider parking stalls;
 2. Toll Volume Off-Peak Discount Program;

3. Diesel Fuel Discount Program.

- Appointed the lead agency for a consortium of transportation agencies to implement ETC, also known as E-ZPass, which includes a fully operational Customer Service Center, Violations Processing Center and a 400 mile fiber optic network. E-ZPass is scheduled for implementation on May 22, 2000.

By the close of 1998, the Authority had materially reduced its operating deficit while maintaining toll stabilization. Thus, the Authority is positioned to build on its strong financial position with the development of a new five-year capital plan.

BUSINESS PLAN FOR THE 90's

The Business Plan has been successfully implemented and is nearly complete. It is approximately \$65M under budget. The major accomplishments achieved with this capital improvement program are:

1. Interchange 11 to 14 Widening, North and Southbound;
2. Interchange 8A to 9 Widening, North and Southbound;
3. New Interchange 7;
4. Southern Mixing Bowl Ramp Reconstruction (Interchanges 14-15E); and
5. East/West ramp access from Route 130 to the Pearl Harbor Memorial Turnpike Extension with a relocated toll plaza. (Anticipated completion date – January 2000).

III. THE FINANCING PLAN

The total outstanding bond debt of the Turnpike Authority is approximately \$2.6 billion with an average life of slightly less than 12 years. The outstanding debt is scheduled to be fully retired by 2018.

The proposed Financing Plan contains three components:

- A. Refinancing of approximately \$665 million of outstanding bonds to achieve interest savings;
- B. Restructuring of approximately \$220 million of outstanding bonds to achieve a more favorable debt repayment structure; and
- C. Issuing bonds to fund a \$917 million 5-year Capital Program.

The refinancing and restructuring elements of the Financing Plan are essential to restoring the Turnpike Authority's financial health, and require your approval to issue bonds. The refinancing and restructuring alone are adequate to restore the Authority's financial security for the projected 10 years, ending in 2010. The Authority will satisfy all its bond coverage tests, contribute approximately \$50 million from revenue for small capital projects and meet all of its projected operating requirements. However, refinancing and restructuring will not permit the funding for a new, long-term capital plan. Details of these latter two components are represented in the Executive Director's Report on the Financial Condition of the Authority and Recommendation to Hold Public Hearings On a Toll Adjustment, the full text of which is attached as Exhibit A , and the New Jersey Turnpike Authority Financing Plan which is attached as Exhibit B.

The two toll adjustments under consideration are projected to produce revenue sufficient to support a new \$917 million Capital Program, which would provide for the completion of several important projects. Some of the projects currently included are:

1. A new Interchange in Secaucus to support economic development in the Meadowlands district, to improve the movement of traffic in the Meadowlands district, and to support the Secaucus Transfer Station currently under construction by New Jersey Transit;
2. Construction of an East/West Extension in Central New Jersey from Interchange 8A to Route 1 in South Brunswick (Route 92) which, in the design year, will service average daily traffic of 32,000 vehicles, most of which are removed from the local road system and U.S. Route 1;
3. Expansion and relocation of Interchange 1 (the barrier plaza which is the gateway to New Jersey from the South);
4. Construction of a full service truck stop on the mainline; and
5. Acceleration of improvements to many of its 500 bridges (redecking and painting).

Proposed Toll Adjustments

In order to finance the new capital program, an adjustment in the toll structure is required. Two across-the-board increases in the toll structure for both passenger vehicles and commercial vehicles averaging 10% each are proposed. The first adjustment would be effective

with the first day of operation of electronic toll collection (scheduled for May 22, 2000) but no later than January 1, 2001 . The second increase would become effective on January 1, 2003. Together, these adjustments provide: (1) adequate revenue to fund the \$917 million Capital Program; (2) permit the Authority to increase its annual contribution to the New Jersey Transportation Trust Fund by \$10 million to \$22 million; and (3) create an annual supplemental capital fund over time of \$200M for pay-as-you-go, medium size capital projects. These proposed increases would maintain a toll structure that is competitive with other toll facilities in the northeast region of the Country and, in the opinion of the Authority's traffic consultant, will cause minimal diversion of existing traffic with a rapid recovery of any diversion.

Incorporated in these adjustments are two essential traffic management tools. The first is a toll discount for customers paying tolls electronically. The benefits of using electronic toll collection include: (a) a reduction in toll plaza congestion; (b) reduced emissions and fuel consumption; (c) travel time savings for the motorist; and (d) operating expense reduction for the Turnpike Authority. Thus, the use of a discount creates an incentive for conversion from cash to the new electronic toll collection system.

The second tool is the introduction of variable pricing. In order to increase the use of the New Jersey Turnpike in off-peak hours, the Turnpike Authority has developed a toll schedule which provides for toll discounts to passenger vehicles who are electronic toll collection customers and travel during off-peak hours.

The proposed Toll Adjustment Plan, as presented to the public during the public hearing process, is as follows:

<u>Market Segment</u>	<u>2001 (1) (2)</u> (-----percent-----)	<u>2003 (3)</u>
Cars:		
Cash (all Day)	20.0	17.0
E-ZPass (Peak Weekday) (4)	8.0	10.0
E-ZPass (Off-Peak Weekday)	0.0	5.0
E-ZPass (all Weekend)	8.0	10.0
Trucks:		
Cash (all Day)	13.0	13.0
E-ZPass (Peak Weekday) (4)	8.0	8.0
E-ZPass (Off-Peak Weekday)	8.0	8.0
E-ZPass (all Weekend)	8.0	8.0

Note: The percent increases shown are approximations. Due to rounding to the nearest \$0.05, variations do exist in the actual percent increases, especially for the lowest toll rates.

- (1) The increase would be effective with the implementation of E-ZPass, scheduled for introduction on May 22, 2000, but no later than January 1, 2001.
- (2) The percent increase in 2001 represents the increase over current tolls.
- (3) The percent increase in 2003 represents the increase over toll levels after the 2001 rate increase.
- (4) Peak period rates would be assessed during the two-hour morning and evening peak hours.

IV. THE PUBLIC HEARING PROCESS

In accordance with N.J.S.A. 27:23-5.10-11, and with the approval of the Board granted at the November 23, 1999 Commission Meeting, four (4) public hearings were held in December 1999 to provide the public with an opportunity to comment on the Turnpike Authority's Proposed Financing Plan. Hearings were held over three days in locations in the North, Central and Southern regions of the State. The Public Hearing Schedule was as follows:

Monday, December 13, 1999 – 7:00 p.m. – 10:00 p.m.
Radisson Hotel – Mount Laurel
Route 73 and I-295
Mount Laurel, New Jersey 08054

Tuesday, December 14, 1999 – 1:00 p.m. – 4:00 p.m.
New Jersey Turnpike Authority Administration Building
Route 18 at Interchange 9
East Brunswick, New Jersey 08816

Tuesday, December 14, 1999 – 7:00 p.m. – 10:00 p.m.
New Jersey Turnpike Authority Administration Building
Route 18 at Interchange 9
East Brunswick, New Jersey 08816

Wednesday, December 15, 1999 – 7:00 p.m. – 10:00 p.m.
Marriott Glen Pointe Hotel
100 Frank W. Burr Boulevard
Teaneck, New Jersey 07666

Notice of the public hearings was published in the following newspapers, which included a summary of the proposed toll adjustments:

Courier Post, Camden County
Home News & Tribune, Monmouth County
The Record, Bergen County
The Jersey Journal, Hudson County
Asbury Park Press, Monmouth County
Star Ledger, Essex County
Daily Record, Morris County
The Times, Mercer County

The Burlington County Times, Burlington County
Philadelphia Inquirer, Philadelphia County, Pennsylvania

In addition to the legal advertisement, display ads were placed in the following newspapers:

Courier Post, Camden County
Star Ledger, Essex County
Jersey Journal, Hudson County
The Times, Mercer County
Daily Record, Morris County
The Burlington County Times, Burlington County

A copy of the advertisement is attached as Exhibit II. Members of the public in attendance at the hearings received a copy of the Turnpike Authority's Financing Plan and the Executive Summary of the New Jersey Turnpike Traffic and Toll Revenue Update Study as prepared by Wilbur Smith Associates, the Turnpike Authority's General Traffic Engineer, attached as Appendix B and C respectively. Each hearing was well attended. Overall, 180 people attended the hearings with 106 expressing their opinion on the Financing Plan - 68 spoke in favor of the plan , 33 spoke in opposition of the plan and 5 were neutral. Notable speakers in support of the Financing Plan included former United States Congressman Robert Roe; Samuel Cunninghame, Executive Director of the New Jersey Motor Truck Association; John Hibbs, President of Laborers Local 472, Dianne Brake, President of the Regional Planning Partnership; Janine Bauer, Director of the Tri-State Transportation Campaign (also speaking on behalf of Environmental Defense Fund, the Natural Resources Defense Council and the Regional Plan Association; Philip Beecham, President of New Jersey Alliance for Action; Jeff Tindall, Executive Director of the New Jersey Sierra Club; and Barbara Sandford of Scenic New Jersey and the Garden Clubs of America and New Jersey. It must be reported that while the environmental groups generally supported the Turnpike Authority's Financing Plan and fully

supported the implementation of variable pricing, they have not withdrawn their opposition to the proposed Route 92 Project or the Secaucus Interchange Project. The Route 92 Project did, however, receive support from Peter Cantu, Mayor of Plainsboro Township and Joseph McNamara, Director of the Laborers Employers Cooperation and Education Trust. Copies of the official transcript of each hearing are contained in Appendix D.

In addition to the public hearings, the Turnpike Authority provided an open public comment period for fifteen (15) days after the close of the last hearing. The total number of letters received is 897 with 628 in support, 268 in opposition and 1 neutral. Copies of the comments received during the public comment period are provided in Appendix E (2 volumes) and Appendix F. Finally, editorials published or broadcasted in response to the Turnpike Authority's Proposed Financing Plan are included in Appendix G.

V. ISSUES RAISED DURING THE PUBLIC HEARING PROCESS AND IN THE WRITTEN TESTIMONY AND COMMENTS

The following issues were raised during either the public hearing process or submitted through written testimony and comment:

1. TOLLS SHOULD BE ELIMINATED

One-hundred-thirty-nine comments were received advocating the elimination of tolls. Some suggest replacing it with an increase in the State gas tax or dedicating funds from revenues generated from the State lottery system. Others suggest that tolls only be assessed on entry from other states. Others asked why the tolls were not eliminated when the bonds which built the New Jersey Turnpike were paid in full.

RESPONSE: The Turnpike Authority appreciates the suggestions that funding for the operation and maintenance of the New Jersey Turnpike comes from the State resources. However, tolls continue to represent the fairest way to operate and maintain the Turnpike. As the system currently exists, tolls represent a user fee that only those who use the New Jersey Turnpike incur. Those who never have a need to use the New Jersey Turnpike do not pay for it. Further, tolls allow out-of-state travelers to contribute to its operation and maintenance that would not otherwise be possible if tolls were eliminated and funding came from the State. Finally, State funding of the New Jersey Turnpike would require redirecting monies that have been previously earmarked for other programs.

Concerning the elimination of tolls when the original roadway was completed, the New Jersey Turnpike has gone through significant growth in order to meet the growing demands placed on New Jersey's transportation infrastructure. These expansions have been funded

through bond proceeds. The Turnpike Authority's enabling legislation provided for on-going bonding power; thus, it was contemplated that the Turnpike Authority would remain financially independent of the State.

2. TOLLS SHOULD NOT BE RAISED

One-hundred-ninety-three comments were received opposing an increase in tolls. Specific concern was raised with the level of debt the Turnpike Authority would be carrying and the diversion of commercial vehicles on to the local and regional road systems.

RESPONSE: Since its opening in November 1951, the Turnpike Authority has only raised tolls on three occasions: 1975, 1980 and 1991. Thus, the Turnpike Authority's current toll structure has significantly lagged behind inflation. See Exhibit III. As the cost-of-living has increased, tolls have remained stable for long periods of time. The modest increases proposed will keep toll rates well below what rates may have been if adjustments had been consistent with inflation.

At the present time, the Turnpike Authority's outstanding debt of \$2.6 billion will be fully retired in 2018. Under the proposed Financing Plan, the Turnpike Authority's outstanding debt will increase to \$3.5 billion and will be fully retired in 2030. The current average life of Turnpike outstanding bonds is slightly less than 12 years. The proposed new issue will increase the average life to about 16 years. Transportation projects have an average life between 30 to 40 years. Thus, the term of the outstanding bonds remains conservative.

Given the significant diversion that occurred after the 1991 toll increase, the concern regarding diversion of commercial vehicles has been studied by the Turnpike Authority. The

Financing Plan including the modest toll adjustments has received the support of the New Jersey Motor Truck Association. This is quite different than in 1991 when the New Jersey Motor Truck Association launched a successful campaign to divert its vehicles from the New Jersey Turnpike. Diminus diversion is expected if this Financing Plan is implemented. (Source: Wilbur Smith Associates Traffic & Toll Sensitivity Study).

3. TOLLS SHOULD BE ROUNDED, PER MILE COSTS SHOULD BE EQUAL FOR THE LENGTH OF THE NEW JERSEY TURNPIKE AND PER AXLE CHARGES ARE UNFAIR FOR PASSENGER VEHICLES PULLING RECREATIONAL TRAILERS

RESPONSE: Eight comments were received concerning how toll rates are set. The Turnpike Authority believes that rounding of tolls would create efficiencies and has studied the concept of rounding tolls to the nearest 25 cents. However, the results are that such a rounding will result in a disproportionately high toll increase for certain trips that cannot be justified. With the impending implementation of electronic toll collection, the concern for rounding is reduced as immediate penetration rates for customers converting to electronic toll collection are projected at approximately 50%. Thus, reduced congestion for cash customers will occur without rounding to the nearest 25 cents.

The per mile charges on the New Jersey Turnpike factor in construction and maintenance costs for each section of the road. Just as those who do not use the New Jersey Turnpike do not want to pay for it, those who use only portions of it, but do not benefit from certain improvements, do not want to pay for those improvements. Thus, per mile toll rates vary with the higher rates in the northern end of the road where there is more traffic and higher overall

costs. In its comments to the Turnpike Authority, the City of Elizabeth pointed out a major discrepancy in toll rates for trips between Interchanges 13, 13A and 14. The Turnpike Authority's traffic consultant has studied this discrepancy and proposed certain reductions from current toll rates which would lessen the disproportionate nature of the tolling structure between these three Interchanges. The Turnpike Authority believes an adjustment is equitable and adopts the proposed adjustments and incorporates it into its Financing Plan. (See Exhibit IV). It is estimated that this adjustment will have no more than a \$450,000 impact on annual revenue, which will be offset by additional traffic coming onto the New Jersey Turnpike from the local road system.

Finally, the Turnpike Authority recognizes the concern regarding toll rates for 2-axle passenger vehicles pulling a 1-axle recreational trailer. The Turnpike Authority has used the axle based method of toll collection since its inception. In order to address this concern, the entire toll collection method would need to be converted to a weight-based system. Such a conversion is cost-prohibitive.

4. VALUE PRICING

Twenty-one comments were received concerning the Turnpike Authority's proposal to introduce value pricing. Issues raised in these comments address perceived penalties to commuters who cannot adjust their work schedule to take advantage of variable pricing and the confusing nature of variable pricing.

RESPONSE: The Turnpike Authority acknowledges that the introduction of variable pricing represents an innovation in traffic management which has not been widely tested in this region,

or to any great extent on a national level. Notwithstanding the above, the Turnpike Authority believes that the introduction of this management tool is essential to encourage the use of the Turnpike during non-peak periods when the road has significant excess capacity. The commuter is not being charged an additional fee for using the New Jersey Turnpike during commuter hours. E-ZPass customers will pay an 8% increase during peak periods instead of the 10% across the board increase. It is the motorist who does not need to travel during the commuter hour that is being incentivized to alter their trip in order to reduce congestion for the commuting motorist. In consideration, the Turnpike Authority has provided a variable pricing strategy to encourage this modification to their travel patterns. Variable pricing, or discounts during non-peak periods does not have to apply to all travel to be effective.

Regarding concerns over the complex nature of the toll structure, the Turnpike Authority intends to conduct a public awareness campaign to educate the public on how the new toll structure will be administered once necessary approvals are received. Further, E-ZPass will simplify the variable pricing program.

5. ISSUES PERTAINING TO THE CAPITAL PLAN

One-hundred-six comments were received concerning the Turnpike Authority's proposed Capital Plan. Seventy-one comments were favorable to either a specific project in the proposed Capital Plan or to the Plan in general. Of the thirty-five comments received in opposition, thirteen were generally opposed to the Capital Plan and nineteen were specifically against the proposed Route 92. A full presentation of the Capital Plan can be found on page 20 of the Turnpike Authority's Proposed Financing Plan attached as Exhibit B.

RESPONSE: The Turnpike Authority's proposed Capital Plan includes several projects which provide for: (1) increased efficiency in the movement of people and goods; (2) expansions to alleviate traffic volume on local and regional road systems, especially commercial vehicle volume; (3) enhanced opportunities for economic development in neighboring municipalities; and (4) important maintenance of the New Jersey Turnpike's existing infrastructure.

Those comments received in opposition to the proposed Route 92 project are also included in the Public Record created as a result of the public hearings by the Turnpike Authority, the New Jersey Department of Environmental Protection and the United States Army Corps of Engineers on that specific project. The proposed Route 92 project provides a critical east-west connection between U.S. Route 1 and the New Jersey Turnpike in the central New Jersey region. It is anticipated that the extension will significantly reduce traffic congestion on U.S. Route 1 and the local road systems through which it will pass. It is projected that in the design year Route 92 will have an average daily traffic count of 32,000 vehicles; 2600 of which will be trucks removed from the local road system and U.S. Route 1. Route 92 will not serve as an inducement to economic development, but will serve the development which has existed for some period of time and that which has been recently approved by local planning boards. An issue was raised as to whether it is appropriate to bond for a project that has not received the necessary regulatory permits. In response, the Turnpike Authority advises that it has established a supplemental list of projects that, in aggregate, exceed the projected cost of Route 92 in the event that any of the projects currently included in the Capital Plan cannot move forward. The principal component of the supplemental projects is bridge re-decking and painting.

6. E-ZPASS

Fifty-one comments were received concerning the Turnpike Authority's implementation of electronic toll collection, also known as E-ZPass. Several comments were of a general information nature, i.e. project schedule, opening date, etc. Others were comments critical of the delays in implementation. Finally, there was a concern that this Financing Plan is designed to cover shortfall if the project doesn't fund itself.

RESPONSE: E-ZPass is scheduled to be operational on the New Jersey Turnpike on May 22, 2000. Construction is substantially on-schedule and staff has no reason to believe at this time that the scheduled date will be missed.

The Turnpike Authority, along with other agency members of the Consortium, has worked diligently to provide an efficient and accurate implementation process. While there has been significant criticism of this project in media reports, the Consortium is satisfied that it has managed this project responsibly and in the best interest of the motorist.

The E-ZPass project is self-supporting with its own independent financing arrangement. There is no funding in this proposed Financing Plan to support the E-ZPass project.

7. CONGESTION

Twenty-nine comments were received concerning efforts to reduce congestion. Specific concerns were raised about the timing of construction and general construction while waiting to pay tolls.

RESPONSE: The Turnpike Authority is cognizant of the inconvenience that is caused when lanes are closed as the result of construction. In all instances of scheduled construction, every effort is made to schedule the work during off-peak hours of travel, either at night or during day-time off-peak hours. There are emergencies that may necessitate lane closings during peak hours, and at times, for multiple days. Safety considerations are the primary motivators of decisions to impact the normal flow of traffic. Be assured that staff makes every possible effort to expedite such emergency repairs while protecting the safety of the motorist.

Concerning congestion at toll plazas, the Turnpike Authority believes that congestion will be significantly reduced, if not eliminated, with the implementation of E-ZPass. This traffic management tool, coupled with variable pricing, is expected to relieve congestion without the need to construct additional toll lanes.

8. HOV LANES

Six comments were received concerning the Turnpike Authority's continued use of high occupancy vehicle ("HOV") lanes.

RESPONSE: The Turnpike Authority opened high occupancy vehicle ("HOV") lanes between Interchanges 11-14 on December 4, 1996. The HOV restrictions are in place northbound between the hours of 6:00 a.m. and 9:00 a.m. and southbound between the hours of 4:00 p.m. and 7:00 p.m. During these hours, vehicles must have 3 or more occupants to travel in the restricted lane. The implementation of HOV lanes was in response to regulatory requirements of a Section 404 permit issued by the Army Corps of Engineers for the Interchanges 11-14 Widening Project. A review of the Turnpike Authority's monitoring of HOV

lane usage has been consistently good since its opening and has met the performance standards projected by the Turnpike Authority's engineering consultant, Parsons Brinckerhoff. In fact, the HOV Lanes move more people than all of traffic lanes in the aggregate. Thus, the Turnpike Authority has continued to promote the use of its HOV lanes.

9. BILLBOARDS

One comment was received concerning the Turnpike Authority's approval of a billboard program. Barbara Sanford, President of Scenic New Jersey, spoke against the proliferation of billboards on New Jersey's highways. However, Mrs. Sanford also spoke in support of the Turnpike Authority's Capital Plan and associated toll adjustments.

RESPONSE: The Turnpike Authority agrees that billboards are not an attractive addition to the right-of-way of any of the State's highways. However, the New Jersey Turnpike currently provides the audience for more than forty billboards located directly adjacent to its right-of-way on private property for which it receives no revenue. The billboard program being implemented by the Turnpike Authority adds eight billboards to those already in existence north of Interchange 11 for which it will receive a guaranteed minimum revenue of almost \$500,000 annually. If the Turnpike Authority did not obtain permits for these sites, private land owners would have undoubtedly secured permits. The Turnpike Authority has publicly stated that if Scenic New Jersey is successful in eliminating all billboards from the New Jersey Turnpike's landscape, the Turnpike Authority will rescind its program.

10. TAXES

Thirteen comments were received concerning the use of tax dollars to support the operation and maintenance of the New Jersey Turnpike.

RESPONSE: The New Jersey Turnpike Authority is an autonomous agency of New Jersey State Government. It does not receive any funds from the State to support any part of its operation. In fact, the Turnpike Authority pays the State for any of the services it may use including, those of the New Jersey State Police, New Jersey Department of Environmental Protection; and New Jersey Department of Transportation. In addition, the Turnpike Authority contributes \$12 million annually to the Transportation Trust Fund. The Turnpike Authority recognizes the importance of the State's continued investment in its transportation infrastructure and the impact that infrastructure has in promoting access to the New Jersey Turnpike. As such, the Turnpike Authority has proposed a \$10 million annual increase in its contribution to the Transportation Trust Fund under its Financing Plan.

As discussed previously, tolls represent a user fee for services. A motorist is not compelled to use the New Jersey Turnpike as there are several free alternatives to all of the destinations the New Jersey Turnpike serves.

11. SCHEDULE OF PUBLIC HEARINGS

Seventeen comments were received opposing the schedule of public hearings during the holiday season.

RESPONSE: The Turnpike Authority carefully considered its decision to hold public hearings in mid-December 1999. After a thorough review of its statutory requirements, it was

determined that there was sufficient time to provide proper notice to the public of the scheduled hearing dates, times and locations.

The Turnpike Authority published the Notice of Public Hearing in ten newspapers of daily circulation ten days prior to the dates set forth in the Notice. In six of these newspapers, the Turnpike Authority placed quarter-page display advertisements. In addition to the information on the public hearings, the advertisement also contained the Turnpike Authority's mailing address for those who wished to submit written comments, and the Turnpike Authority's website address so that comments could be received via e-mail. (See Section IV for a list of newspapers and Exhibit III for a copy of the advertisement).

Three evening hearings were held throughout the State – one in Mount Laurel, Burlington County; one in East Brunswick, Middlesex County; and one in Teaneck, Bergen County. An afternoon hearing was held in East Brunswick, Middlesex County. One-hundred-eighty people attended the hearings with one-hundred-six people offering public testimony. 68 people spoke in favor of the proposed Financing Plan, 33 spoke in opposition and 5 were neutral.

In addition, a public comment period was established, opening on the date of the first public hearing and closing on December 31, 1999. Eight-Hundred-and ninety-seven letters were received with 628 in favor of the proposed Financing Plan, 268 in opposition and one neutral letter.

The Turnpike Authority believes that the public has had a fair period in which to express their opinions.

12. MERGE THE TOLL ROAD AUTHORITIES

Eighteen comments were received suggesting that the three independent toll road authorities be merged in order to create operational efficiencies.

RESPONSE: In 1995, the New Jersey Department of Transportation studied the concept of consolidation of the New Jersey Toll Road Authorities. While it appeared that savings could be generated by combining these agencies, in fact, each agency would still be required to maintain many of its current functions. The broad geographic region covered by these three roadways would require each to continue its own maintenance function. Further, toll collection operations would not be curtailed; thus no savings would be realized. The administrative functions offered the greatest opportunity for savings; however, the operational distinctions between the agencies still required separate administrative staffs for engineering, computer and financial operations. Instead, the Authorities looked to other methods to streamline operations and have worked together to share services. For example, the New Jersey Highway Authority provides internal auditing management and supervision services to the Turnpike Authority to eliminate duplication of this function. The Authorities routinely issue joint requests for proposals for similar services such as health benefits, physician's services, employee assistance programs, and the like in an effort to reduce administrative expenses. The most significant shared service is the formation of a consortium of State toll facilities, the State of Delaware and the Port Authority of New York and New Jersey to procure the electronic toll collection contract. This concept of shared services has been successful and will be continued amongst the agencies.

13. STAFF

Fifteen comments were received concerning staffing issues. Specifically, fourteen comments were received reporting that toll collectors display poor attitudes in executing their duties. One comment was received regarding the salaries of the Turnpike Authority's management staff.

RESPONSE: The Turnpike Authority believes that the vast majority of its toll collectors execute their responsibilities in a courteous and professional manner each day. The Turnpike Authority has received complaints about the attitude of some of its toll collectors. In cases where a complaint is received, the Turnpike Authority immediately investigates the incident. Following the investigation, one of two courses of action may follow:

- (1) When the customer lodging the complaint does not wish to appear at the Turnpike Authority to testify at a disciplinary hearing, the Turnpike Authority issues a counselling letter which records the incident in the toll collector's personnel file. The toll collector goes through refresher customer relations training. Subsequent incidents may result in progressive disciplinary measures.
- (2) In cases where the patron is willing to appear at a disciplinary hearing, a Notice of Disciplinary Action is issued and a disciplinary hearing is scheduled. Based on the outcome of the disciplinary hearing, and the toll collector's previous record, penalties may include suspension or termination.

The Turnpike Authority regrets any unpleasant experience of a customer using its Road. Staff takes customer service issues seriously and continues to remind all Turnpike Authority toll collectors of the need to be courteous when dealing with New Jersey Turnpike customers.

Responding to the one comment regarding management salaries, the Turnpike Authority was the first public agency in New Jersey to eliminate across-the-board increases for its management staff. In its place, a performance-based merit system was established in 1996 that ties salary increases directly to performance.

14. MISMANAGEMENT OF FUNDS

Nineteen comments were received addressing mismanagement of funds. Specifically, concerns were raised about the funding of certain beautification programs such as flowerpots and renovation of the service areas, increases in operating expenses, and debt level.

RESPONSE: The Turnpike Authority has demonstrated strong fiscal management over the past 4½ years. The operating budget in 1994 was \$177.7 million. Beginning in 1995, it was reduced to \$176.6 million and then to \$164.3 in 1996. Since these initial reductions, the Turnpike Authority's operating budget has never again exceeded \$167 million. (See Exhibit V for a history of operating budgets.) The cumulative effect of the Turnpike Authority's cost control efforts is operating savings of \$45 million in this 4 ½ year period. (See Section I, pages 3 and 4 for the significant initiatives that led to these savings). If the Turnpike Authority had continued to manage its operating budget as it did prior to the year 1994, its operating expenses were projected to be approximately \$293 million in 2000 (Source is the Report of the

Consulting Engineers, Appendix B of the 1991 Official Statement in Connection with the New Jersey Turnpike Authority Revenue Bonds).

Beautification of the Turnpike Authority has been addressed in many public forums. Known for its industrial nature, the Turnpike is pictured by most as landscaped with tank fields, rail lines and Newark International Airport. The decision to install flowerpots was made after observations of other neighboring toll facilities. The program has received several positive comments and is expected to be phased in at other toll plazas. The Service Area Renovation Project is essential to providing the Turnpike Authority's customers with clean, state-of-the-art food service and fuel facilities to make their trip more pleasurable. Through an agreement reached with Host Marriott Services Corporation, eleven service areas will be renovated over the next three years with Host contributing over 60% of the projects estimated \$41 million cost.

The concern over debt level was address in the Turnpike Authority's second response on page 12.

15. GENERAL QUESTIONS

Four general questions were presented for response: (1) why did the Turnpike Authority purchase I-95; (2) Where is Interchange 6A; (3) When will the toll increases be implemented; and (4) What is a barrier toll plaza.

RESPONSE: The decision to purchase the 4.4 miles of I-95, north of Interchange 18W was made by a previous administration.

Currently, Interchange 6A is not a posted interchange; it is a part of the posted

Interchange 6. The single lane which permits eastbound access to Florence Township, NJ is the portion of Interchange 6 which is referred to as 6A. The Turnpike Authority is set to open a relocated Interchange 6 in approximately two weeks. In addition, the ramp access to Florence Township as described above has been improved by creating entry and exit access between Route 130 north and south and the New Jersey Turnpike

As discussed earlier, the first toll adjustment will become effective with the implementation of E-Zpass on the New Jersey Turnpike, scheduled for May 22, 2000, but no later than January 1, 2001. The second increase will become effective on January 1, 2003.

A barrier toll plaza is the type found on the Garden State Parkway and at Interchanges 1, 16E/18E and 18W on the New Jersey Turnpike. Generally, barrier toll plazas are found intermittently on the mainline of a highway.

VI. SUMMARY AND RECOMMENDATIONS

Almost five years ago, the Board of Commissioners of the New Jersey Turnpike Authority tasked its staff with the responsibility of a full review of the Turnpike Authority's financial condition and implementation of cost containment measures necessary to ensure the successful operation of the New Jersey Turnpike without the 50% toll increase rejected in 1995. Staff has responded well to that challenge. Throughout the past 4 ½ years, the Turnpike Authority has developed innovative cost saving measures, negotiated modifications to collective bargaining agreements to permit greater flexibility in staffing and work rules, aggressively pursued the return of commercial vehicle traffic to the New Jersey Turnpike and other initiatives as set forth in this Report. The financial results were significantly better than projected. The Turnpike Authority reduced by more than one-half the structural operating deficit that it carried in 1995 while maintaining toll stabilization throughout the period.

In order to fully restore the financial health of this agency, and after consideration of the comments received by the public with regard to the Turnpike Authority's proposed Financing Plan, staff continues to endorse the implementation of the Financing Plan as presented in Appendix B, with the modification to the toll structure at Interchanges 13, 13A and 14 as outlined in Exhibit IV. By moving forward with the restructuring, refinancing and new Capital Program, the Turnpike Authority will have insured the agency's financial stability for the next

ten years and positioned itself to meet the demands placed on New Jersey's transportation infrastructure.

Your endorsement of the New Jersey Turnpike Authority's Proposed Financing Plan is respectfully requested.